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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

BRIEF OPPOSING PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

QUESTIONS PRESENTED

1. Petitioner's first question is not presented by the record. The question assumes that the Court of Appeals for the Seventh Circuit held that the defense of laches does not require the elements (1) lack of diligence, (2) prejudice to the party asserting defense. In fact the Court of Appeals held that prejudice would be presumed where the delay was unreasonable and unexcusable. The presumption was not overcome. Thus both elements were present.

2. Petitioner's second question is not presented by the record. The Court of Appeals did not presume damage to respondent by the *mere* passage of time. It presumed damage from *unreasonable* delay, and from petitioner's failure to meet its burden of proof that such delay was excusable. It may also have relied on District Court findings showing prejudice to respondent.

The holding by the District Court that it would not be unjust to require respondent to defend the action is not undisturbed. The judgment of the Court of Appeals could not have been rendered without reversing that conclusion.

3. Petitioner's third question is not presented by the record. As noted above the Court of Appeals did not adopt a rule presuming injury to the defendant by the mere passage of time. Rather it followed a long established rule presuming injury to the defendant where the delay is unreasonable, and held that the analogous statute of limitations is a measure of the unreasonableness. The burden of proof was thus on the petitioner, rather than on respondent as improperly held by the District Court. Petitioner failed to meet that burden.

Petitioner states that 35 U.S.C. 286, which denies recovery for patent infringement committed more than six years prior to filing the complaint, is the *only* limitation on relief. There is no indication in that section that it is the only limitation on patent actions. Petitioner's assumed policy would leave no room for laches or any other equitable doctrine, such as the clean hands doctrine which forbids relief to those who violate the antitrust laws or commit similar acts, etc.

No question is properly presented by petitioner.

STATEMENT OF THE CASE

In general the facts stated by petitioner are correct, but the following corrections and additional facts are required.

Petitioner's reference to a District Court finding that respondent had not in fact been damaged by the delay is incorrect. The conclusion of the lower court related to unfairness and not to damage (A-40). The court did not anywhere indicate that its denial of the defense of laches was based on a finding that defendant suffered no prejudice through the delay. The discussion appears to indicate that the trial court felt that defendant was unjustified in believing that plaintiff no longer pressed its charge of infringement (A-40). The Seventh Circuit correctly held that this placed an improper burden on defendant and accordingly that the trial court's decision was incorrect as a matter of law (Trial Court Opinion A-40, Court of Appeals Opinion A-2, 3). Thus the Court of Appeals did not overturn any factual finding of the District Court, nor even find a fact which the District Court had failed to find, but relied on a presumption of damage which the District Court had failed to apply.

Petitioner states that its letter of September 19, 1957 offered to "settle the controversy". As pointed out by the Court of Appeals the letter was an offer of cross-license which did not repeat the charge of infringement and which specifically acknowledged that respondent denied infringement (A-10, Baker's Exhibit 11, Appendix pp. 355, 226).

Petitioner refers to a delay in bringing suit of seven years and seven months. It fails to draw attention to the

fact that the total delay in bringing suit was over nine years, as held by the Court of Appeals (A-2), and was held unreasonable.

At page 4 of plaintiff's brief, the plaintiff indicates that the rule of law applied by the District Court was that "mere delay does not alone constitute laches and that to uphold a defense of laches there must be both (1) an unreasonable delay by plaintiff and (2) a showing that defendant has been, or will be, damaged or prejudiced by the delay." The District Court did not specifically adopt that test, nor did it clarify which element was found lacking if it did apply it. It found specific facts showing prejudice to respondent (A-36, 38) and put the burden on respondent to explain the delay. It thus appears that element (1) was found wanting. In any case the Court of Appeals held that the decision of the District Court was reversible error after stating that it would reverse only for a clear abuse of discretion (A-2, 9, 12). The Court of Appeals cast upon petitioner the burden of (1) excusing an unreasonable delay, and (2) disproving the presumption of damage which flows from that delay (A-9-12). Plaintiff has not met either burden but attempts to obtain a ruling of law which would free it from both burdens. In fact plaintiff specifically indicates in its petition for certiorari that it does not challenge the court's denial of its excuses for the delay (Petitioner's Brief, p. 4).

Petitioner demands a showing of damage by respondent. Respondent's answer is twofold.

Prejudice to respondent has been shown. The Court of Appeals was correct in presuming damage where the delay is unreasonable. Even if damage had not been presumed, proof of damage is ample (see pages 5 and 6).

Petitioner states that the Court of Appeals did not disturb the District Court's finding that the delay did not work an injustice on respondent (A-40). The Court of Appeals necessarily overruled that conclusion when it reversed the District Court (A-12, 13). In any decision as to an equitable defense, a conclusion as to where the equities lie is crucial. Moreover, such a conclusion is implicit in the holding that petitioner's delay of over nine years is unreasonable (A-3, 9-12).

Petitioner further states that the Court of Appeals left undisturbed the District Court finding that respondent had not been damaged by the delay. Neither the District Court (A-37 to A-40) nor the Court of Appeals (A-1 to A-13) found that defendant had *not* been prejudiced by delay. The CA-7 did hold that there is a *presumption* of such damage. The District Court decision points out particular items of prejudice to respondent (A-36, 38) even though it did not rule in favor of respondent on the defense of laches.

One of the issues in the District Court was whether Mr. Watry, one of the named inventors in the patent in suit, was in fact an inventor (A-35 to 37). Another issue was whether plaintiff was guilty of unclean hands in deliberately including Mr. Watry as an inventor with full knowledge of the fact that he was not such an inventor, and in knowingly taking an assignment of subject matter belonging to the State of Wisconsin. Respondent asserted that any contribution made by Mr. Watry to the alleged invention of the patent in suit was made while he was an official of the State of Wisconsin whose duties included promoting standards of well sanitation by promoting the use of structures which would achieve the objectives of the patent in suit, and further

asserted that Mr. Watry's contribution to the structure shown in the patent was made public more than one year prior to the application for the patent in suit. Much of the evidence was Mr. Watry's own testimony. The District Court found (A-36) that Mr. Watry understandably had some difficulty remembering. Prejudice is also shown by the District Court (A-38) quoting petitioner's president showing the change in the (alleged) infringement situation during petitioner's long silence. Respondent increased its infringing business and its employees devoted thereto (Baker's Exhibit 38, App. 388, 227; Whitewater Exhibit 15-16, App. 532-3, 229-30, Baker Testimony App. 140), and admittedly had non-infringing structures it could have made instead (App. 190). Were the respondent to be held liable for damages for the last six years of the alleged infringement, the damages would be many times greater on defendant's production during those years than it would have been during the period just after plaintiff's charge of infringement in 1956 (Baker Exhibit 38, Whitewater Exhibit 15-16, supra.).

The statement of the case by petitioner fails to indicate that petitioner failed to press its negotiations for a period of over a year prior to the letter of September 19, 1957 (A-8, 9), that it did not reassert its charge of infringement in 1957 but rather recognized that defendant denied infringement without reasserting its charge. The letter of September 19, 1957 was an offer of a cross-license, not a charge of infringement (A-9, 10). That letter was followed by a deliberate additional delay of seven years and seven months during which petitioner never reasserted its charge of infringement despite the increasing sales of respondent which were known to petitioner (A-11). Petitioner made an anonymous market survey.

preserving its appearing of inaction (A-38, App. 129-32). These facts justified respondent's belief that the charge had been abandoned.

THIS CASE DOES NOT WARRANT ACTION BY THIS COURT

The asserted conflicts urged by Petitioner are not real. They depend on differences in fact backgrounds of the cases, on the relative equities between each set of parties, and on petitioner's insistence that the instant case be analyzed as one of "mere delay" despite the holding of the Seventh Circuit Court of Appeals that the rules applicable are those relating to "unreasonable delay". Petitioner has not requested a ruling on the point. Many of petitioner's cases allegedly demonstrating conflict with the decision below are distinguishable, as they relate to mere delay for periods shorter than the six years of the analogous statute of limitations.

Respondent notes that in general such an issue, relating solely to one fact situation, is not taken up by this court on writ of certiorari. Petitioner says that the many cases on laches require a uniform rule, but mere numbers of cases count little unless the facts are similar. Petitioner does not so state.

THE POLICY OF THE PATENT STATUTE IS NOT IN CONFLICT WITH THE EQUITABLE RULE OF LACHES

The asserted conflict with 35 U.S.C. 286 does not exist. Laches and the other equitable defenses long antedate the predecessor to the statute (first enacted March 3, 1897, c. 391, §6, 29 Stat. 694) and continued unchanged

after its passage. The doctrine of laches has always existed concurrently with statutes of limitation, modifying their effect. Petitioner's rationale would leave no room for equitable defenses at all. Had Congress so intended, it has had ample time to say so between 1897 and the present. It particularly had ample opportunity in the general codification and revision comprising the Patent Act of 1952, now 35 U.S. Code. It has not done so. This court and all others having equitable powers remain free to apply the doctrine of laches.

The question of compatibility between the equitable defense of laches and statutes of limitation was discussed in *Gillons v. Shell*, 86 F. 2d 600 at 610 (CCA-9, 1936). The court specifically stated that the defense was available even where the delay was *less* than the period of limitations. The line of cases which shifts the burden of proof to plaintiff where the delay is greater than the period of limitation assumes that the defense is compatible with a statute of limitations. See for instance *Gillons v. Shell*, supra; *Kelly v. Boettcher*, 85 Fed. 55, at 62-3 (CCA-8, 1898) (just after passage of the statute in 1897); *United Drug v. Ireland Candy Co.*, 51 F. 2d 226 at 232 (CCA-8, 1931) and cases cited therein.

The defense of laches was developed by chancellors in equity, hearing cases directly related to cases at law. In many cases the latter were subject to statutes of limitations but not the former. Laches as a defense developed to correct the inequity of rigid reliance on periods of limitation. Petitioner has not shown any reason of public importance why the law should be cut away from its historic context. It suggests only that it should not have the burden of explaining its delay, or of disproving damage, in a case wherein it deliberately delayed longer

than the period of limitations, with full knowledge of the facts, giving the appearance of abandoning its claim, while defendant expanded its potential liability, its employment, and the kinds of alleged infringing devices, and while witnesses forgot facts crucial to the defense.

THE DECISION IN THIS CASE DOES NOT CONFLICT WITH OTHER DECISIONS ON LACHES

The decision in this case by the Court of Appeals does not conflict with *Gutierrez vs. Waterman S.S. Corp.*, 373 U.S. 206, 215 (1963). In that case the Supreme Court said that the test of laches is prejudice to the other party. In that case there was a finding that there was no prejudice. In this case there is no finding by the trial court that defendant was not prejudiced. The trial court put the onus for the delay, and the burden of proof, upon defendant (A-37, 38, 40) and held that it was not unjust to defendant to have to defend this suit. These holdings were reversed. The trial court did find that Mr. Watry, a crucial witness as to the unclean hands defenses, had difficulty remembering the facts after so long (A-36). It also found that plaintiff intentionally waited to start suit until after the damages increased (A-38, center & bottom). These fact findings were not reversed.

The Court of Appeals found that after unreasonable delay is proven by respondent, there is a presumption that defendant was prejudiced (A-3). Having made such a finding it did not find it necessary to discuss the fact evidence but it must have believed that the evidence was at least consistent with the presumption of damage or it would have held the presumption to have been overcome.

The circumstances of this case are radically different from those of *Gutierrez v. Waterman* since the damages here are measured by a reasonable royalty for the sales volume, which as shown by the evidence increased steadily during the period of the delay. In *Gutierrez* the damages were for injuries which did not change during the delay. Moreover, the delay was much shorter than that present in this case. Even if we grant plaintiff's premise that both an unreasonable delay and *actual* damage are necessary, those conditions have been met.

In *Costello v. United States*, 81 Sup. Ct. 534, 365 U.S. 279 (1961), the Court specifically found that although the delay had dimmed the memory of some witnesses that this had *benefited* the petitioner since it impeded the government in meeting a heavy burden of proof in a de-naturalization proceeding.

Northern Pacific v. Boyd, 228 U.S. 482, was a case in which the party charged with laches was in fact diligent in reducing his claim to judgment so that the later suit could be brought.

Petitioner's argument seems to assume that the prejudice to defendant in this case is some unspecified legal fiction having no relationship to the facts. Actually, it is more in the nature of a determination of the burden of proof, the Court of Appeals having held that after defendant proved an unreasonable delay, thus meeting its burden, the burden was on plaintiff to show that the delay was excusable and that it had not prejudiced the defendant. Here the plaintiff never put in any evidence even tending to disprove defendant's evidence of prejudice and in fact put in evidence of its own showing the prejudice (Baker Exhibit 38, App. 388, 227, Baker testimony App. 128-132, 140). As the plaintiff would re-

quire at the top of page 9 of its brief, the delay in this case was such as to prejudice the defendant.

Each decision on laches is unique, depending on the relative equities between the parties.

In general, cases on laches fall into four categories: 1) the cases in which no significant delay is found, 2) those held to involve "mere delay", 3) those held to involve unreasonable delay, and 4) those in which there are specific acts leading to equitable estoppel. Only category 3) requires discussion here.

Category 3) is illustrated by the following cases:

Gillons v. Shell, 86 F. 2d 600 (CCA-9, 1936)

Kelly v. Boettcher, 85 Fed. 55, 62-3 (CCA-8, 1898)

United Drug v. Ireland Candy, 51 F. 2d 226, 232 (CCA-8, 1931)

Window Glass Mach. Co. v. Pittsburgh Plate Glass, 184 Fed. 645, 649-52 (CCA-3, 1922)

Holmberg v. Armbrecht, 327 U.S. 392, 66 S. Ct. 582, 90 L. Ed. 743 (1946)

Prevost v. Gratz, 19 U.S. 481, 6 Wheat. 481, 5 L. Ed. 311 (1821)

Russell v. Todd, 309 U.S. 280, 60 S. Ct. 527, 84 L. Ed. 754 (1940)

Sullivan v Portland & K. R. Co., 94 U.S., 806, 24 L. Ed. 324 (1876)

Lansdale v. Smith, 106 U.S. 391, 1 S. Ct. 350, 27 L. Ed. 219 (1882)

United Drug v. *Rectanus*, 248 U.S. 90, 39 S. Ct. 48 (1918) (discusses possibility of barring damages but not an injunction)

Mosler & Co. v. *Lurie*, 209 Fed. 364, 370-71 (CCA-2, 1913) (bars damages but not injunction)

Universal Coin Lock v. *American Sanitary Lock*, 104 F. 2d 781 (CCA-7, 1939)

Meyer Mfg. Co. v. *Miller Mfg. Co.*, 24 F. 2d 905 (CCA-7, 1928)

The Seventh Circuit Court of Appeals held that this case involves unreasonable delay (A-3, 9, 12) adopting the fact findings of the District Court (A-8, 11) but rejecting its conclusions therefrom (A-9) because the burden of proof was erroneously put on respondent to excuse the delay (A-9, 10). The Court of Appeals properly held that the burden is on petitioner, the patentee, to prove that the delay is excusable, once unreasonable delay is shown, and held that where the delay is unreasonable and beyond the analogous statute of limitations prejudice to defendant-respondent is presumed (A-3). *Gillons* v. *Shell*, 86 F. 2d 600 (CCA-9, 1936); *Kelly* v. *Boettcher*, 85 Fed. 55, 62-3 (CCA-8, 1898); *United Drug* v. *Ireland Candy*, 51 F. 2d 226, 232 (CCA-8, 1931).

Laches will ordinarily bar an accounting, even in the case of mere delay, although an injunction will ordinarily be available in such cases.

Window Glass Mach. Co. v. *Pittsburgh Plate Glass*, 284 Fed. 645 (CCA-3, 1922)

Meyer Mfg. Co. v. Miller Mfg. Co., 24 F. 2d 505 (CCA-7, 1928)

Simpson v. Newport News, 18 F. 2d 318 (D.C., S.D.N.Y., 1920)

Rome Grader v. Adams Mfg. Co., 135 F. 2d 617 (CCA-7, 1943)

If the Court of Appeals incorrectly denied injunctive relief, damages should be barred on this ground. The net effect would be the same since the patent has expired. In effect the issues sought to be raised by petitioner, if properly presented, are moot.

THE COURT OF APPEALS CORRECTLY PRESUMED DAMAGE TO RESPONDENT FROM AN UNREASONABLE DELAY BY PETITIONER

The rule of *Gillons v. Shell*, 85 F. 2d 600 (CCA-9, 1936) appropriately shifts the burden of proof to petitioner to show that respondent was *not* damaged by petitioner's unreasonable delay. The delay was much longer than the analogous statute of limitations, and gave the appearance that the claim had been abandoned. Petitioner apparently views *Gillons v. Shell* as an anomaly formerly limited to the Ninth Circuit but see *Kelly v. Boettcher*, 85 Fed. 55, 62-3 (CCA-8, 1898) and *United Drug v. Ireland Candy Co.*, 51 F. 2d 226, 232 (CCA-8, 1931), and the numerous cases from other circuits requiring plaintiffs to justify unusual delay, as cited by the Court of Appeals in this case.

It accords with conscience that when respondent has proved an unreasonable delay, the burden should shift to petitioner to justify its lack of diligence. Moreover, some of the cases point out that the memories of witnesses inevitably dim with time, and that failure to act appears to a defendant to show abandonment of the asserted claim, thus furnishing a basis for the presumption. Of course petitioner was free to meet these burdens of proof, if the facts warranted. It admits it has not done so (Petitioner's Brief, p. 4) and that the delay is unexcused.

The Court of Appeals cited, correctly, many more cases justifying its decision (A-3 through 8).

The decision below did not reach the question of actual proof of prejudice to respondent from the delay, but the trial court held that the memory of a crucial witness was impaired with reference to a group of related unclean hands defenses. Also it is not denied that petitioner could recover far more today in money damages than it could have recovered in 1956 or 1957, and that the delay was deliberate, with full knowledge of the alleged infringement, with the intent of waiting until the recoverable damages should be greater (App. 129-135, 140). Even petitioner's market survey was anonymous, preserving the appearance that the claim was abandoned (App. 129). Respondent reserves the question of actual damage if certiorari is granted.

CONCLUSION

The decision below was correct.

There is no overriding public interest in this case. The application of the rule of laches to the case of an ex-

pired patent is significant only to the parties. If the decision below is reversed, all of the other issues would return to the Court of Appeals despite expiration of the patent.

The Petition for Certiorari should be denied.

Respectfully submitted,

ALLAN B. WHEELER
606 W. Wisconsin Avenue
Milwaukee, Wis. 53203
Counsel for Respondent

Dated January 28, 1971

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1152

BAKER MANUFACTURING CO.,
a corporation,

Petitioner,

vs.

WHITEWATER MANUFACTURING CO.,
a corporation,

Respondent.

PETITIONER'S REPLY AND SUPPLEMENTAL BRIEF FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

Respondent, in its brief (p. 1-2), challenges the three "Questions Presented" by petitioner. As to the first question, respondent incorrectly restates the question and then proceeds to criticize it. The key word in the question is "proof" which respondent ignores in its comments. The Court of Appeals decision did not require "proof" that defendant was prejudiced by the delay but instead presumed, as a matter of law, that defendant was damaged. The rule requiring proof of damage stated in petitioner's question No. 1 was taken verbatim from the recent Supreme Court decision of *Costello v. United States*, 365 U.S. 265, 282 (1961). Such rule, it is submitted, is in direct conflict with the "presumption of damage" rule applied by the Court of Appeals.